

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

BRISTOL COUNTY RETIREMENT  
SYSTEM, Individually and on Behalf of All  
Others Similarly Situated,

Plaintiff,

VS.

EUROPEAN AERONAUTIC DEFENCE &  
SPACE CO., NOEL FORGEARD, DR.  
THOMAS ENDERS, HANS PETER RING,  
JUSSI ITAVUORI, JEAN-PAUL GUT,  
FRANCOIS AUQUE and RALPH D.  
CROSBY JR.,

Defendants.

Civil Action No. 08 civ. 5389 (JES)

CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF FEDERAL SECURITIES  
LAWS

DEMAND FOR JURY TRIAL

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Plaintiff has alleged the following based upon the investigation of plaintiff's counsel, which included stock analysts' reports and advisories about European Aeronautic Defence & Space Co. ("EADS" or the "Company"), as well as press releases and other public statements issued by the Company, and media reports about the Company, and plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

### **NATURE OF THE ACTION**

1. This is a federal class action on behalf of U.S. citizens who purchased the publicly traded stock of EADS on the Frankfurt, Madrid and/or Paris Stock Exchanges between January 17, 2005 and June 13, 2006, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

### **JURISDICTION AND VENUE**

2. The claims asserted herein arise under and pursuant §§10(b) and 20(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC") [17 C.F.R. §240.10b-5].

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §27 of the Exchange Act.

4. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b). The Company conducts substantial business in this District.

5. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails and interstate telephone communications.

## **PARTIES**

6. Plaintiff Bristol County Retirement System, as set forth in the accompanying certification and incorporated by reference herein, purchased the publicly traded stock of EADS at artificially inflated prices during the Class Period and has been damaged thereby.

7. Defendant EADS is a Netherlands corporation with its principal place of business located at Le Carre Beechavenue 130-132, 1119 Pr Schiphol Rijk, Netherlands. The Company manufactures airplanes and military equipment. The Company produces commercial aircrafts including the various Airbus models, military fighter aircrafts, military and commercial helicopters, missiles, satellites, and telecommunications and defense systems. The Company also offers military and commercial aircraft conversion and maintenance services.

8. (a) Defendant Noel Forgeard (“Forgeard”) was, at all relevant times, Co-Chief Executive Officer (“CEO”) of EADS.

(b) Defendant Dr. Thomas Enders (“Enders”) was, at all relevant times, Co-CEO of EADS.

(c) Defendant Hans Peter Ring (“Ring”) was, at all relevant times, Chief Financial Officer of EADS.

(d) Defendant Jussi Itavuori (“Itavuori”) was, at all relevant times, head of human resources of EADS.

(e) Defendant Jean-Paul Gut (“Gut”) was, at all relevant times, head of EADS International.

(f) Defendant Francois Auque (“Auque”) was, at all relevant times, head of EADS’s space division.

(g) Defendant Ralph D. Crosby Jr. (“Crosby”) was, at all relevant times, Chief Executive of EADS North America.

(h) Defendants Forgeard, Enders, Ring, Itavuori, Gut, Auque and Crosby are referred to herein as the “Individual Defendants.”

9. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of EADS, were privy to confidential and proprietary information concerning EADS, its operations, finances, financial condition and present and future business prospects. The Individual Defendants also had access to material adverse non-public information concerning EADS, as discussed in detail below. Because of their positions with EADS, the Individual Defendants had access to non-public information about its business, finances, products, markets and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

10. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of EADS’s business.

11. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and

presentations to stock analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

12. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose stock was, and is, traded on the Frankfurt, Madrid and Paris Stock Exchanges, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to EADS's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so that the market price of EADS's stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

13. The Individual Defendants are liable as participants in a fraudulent scheme and course of conduct that operated as a fraud or deceit on purchasers of EADS's publicly traded stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding EADS's business, operations and management and the intrinsic value of EADS's stock; (ii) enabled the Individual Defendants and other Company insiders to sell their personally-held EADS stock for gross proceeds in excess of \$15 million; and (iii) caused plaintiff and members of the Class to purchase EADS's publicly traded stock at artificially inflated prices.

### **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

14. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class of U.S. citizens who purchased the publicly traded stock of EADS on the Frankfurt, Madrid and/or Paris Stock Exchanges between January 17, 2005 and June 13, 2006, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

15. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, EADS's stock was actively traded on the Frankfurt, Madrid and Paris Stock Exchanges. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by EADS or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in stock class actions.

16. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law complained of herein.

17. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and stock litigation.

18. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal stock laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business and operations of EADS;

(c) whether the prices of EADS's publicly traded stock were artificially inflated during the Class Period; and

(d) to what extent the members of the Class have sustained damages and the proper measure of damages.

19. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

### **SUBSTANTIVE ALLEGATIONS**

20. Defendant EADS describes itself as a "global leader in aerospace, defence and related services. The Group includes the aircraft manufacturer Airbus, the world's largest helicopter supplier Eurocopter and the joint venture MBDA, the international leader in missile systems." EADS's stock is listed on the Frankfurt, Madrid and Paris stock exchanges. DaimlerChrysler and SOGEADE (a.k.a Lagardère) are the Company's majority shareholders and jointly name the Company's Chairmen and CEOs.

21. The Company's Airbus subsidiary is one of the world's leading aircraft manufacturers and battles Boeing for most commercial airliner orders.

22. Throughout the Class Period, EADS falsely assured the investing public that it would overcome the technical problems in the production of the Company's Airbus A380 commercial jets ("A380") and it would be able to meet its year-end delivery deadlines. Moreover, the Company issued numerous positive statements which described the Company's increasing financial performance. These statements were materially false and misleading because they failed to disclose and misrepresented the following adverse facts, among others: (a) that the Company was experiencing insurmountable delays in the manufacture of its Airbus A380 commercial jets; (b) that the Company would be required to compensate its customers for these delays through discounts and certain customers would likely be canceling their entire orders; and (c) that, as a result of the foregoing, the Company's ability to receive new contract awards from commercial airlines and its ability to reap future revenues at the levels that it was projecting would be in serious doubt.

23. On June 13, 2006, the Company announced that its Airbus subsidiary was having production problems with the A380 commercial jet, which would cause a significant delay in delivery to its customers. Moreover, the Company issued a profit warning beyond 2006 which was attributable to these delays and announced that it anticipates annual shortfalls of €500 million, without taking into account possible contract terminations from existing customers.

24. Upon this announcement, shares of EADS fell €6.69 per share, or 26%, to close at €18.73 per share, on unusually heavy trading volume.

25. Prior to these disclosures, 21 top managers, including defendants Forgeard (and his family members) and Enders, exercised stock options from November 2005 to March 2006 with knowledge that there were significant problems with the production of the Airbus A380.



### **Materially False and Misleading Statements Made During the Class Period**

26. The Class Period begins on January 17, 2005. On that date, the Company issued a press release announcing the unveiling of the Airbus A380. In that regard, the press release stated, in pertinent part, as follows:

Tomorrow's reveal will underpin the successful progress of the A380 programme. It is also a reflection of Airbus' position as the market leader of the civil aviation industry. As part of the official unveiling, a live show will feature Airbus' vision, philosophy and global values which, over 35 years, have made its success as well as this new challenge possible. At the heart of this is Airbus' dedication to listening to its customers and turn their wishes into reality through a continuous flow of innovations and a ceaseless quest for quality, efficiency and maturity of its products.

The A380 reveal will also mark the launch of Airbus' new livery. The change in livery, the first since the A310, further materialises the entry of Airbus into a new era. The A380 is the first aircraft to display the company's new colours that reflect not only Airbus' current market position but also its ambitions to pursue aviation excellence long into the future. The new design embodies beautifully the Airbus brand values of creative flair, technological prowess, relationship building and team spirit.

The 555-seat A380 passenger aircraft has a range of up to 8,000nm/15,000km, allowing it to fly non-stop between Europe and Asia, while the three-deck long-range freighter version, the A380F, will be able to carry up to 152 tonnes/ 335,000 lbs of cargo on standard pallets over distances of up to 5,600nm/10,400km. Incorporating the most advanced technologies available in this decade, it will be the most fuel efficient and environmentally friendly airliner ever built, while offering unequalled levels of passenger comfort and cargo carrying capability. **First passenger operations are scheduled to begin in 2006 when the A380 is due to enter service. In addition, the first A380F, the freighter version of the aircraft, is expected to begin operations in 2008.** [Emphasis added.]

27. On April 27, 2005, the Company issued a press release announcing that the Airbus A380 successfully completed its first flight. In that regard, the press release stated, in pertinent part, as follows:

For its first flight, the A380 took off at a weight of 421 tonnes / 928,300 lbs, the highest ever of any civil airliner to date. During the flight, which took the aircraft around South West France, the six crew members explored the aircraft's flight envelope as expected. They tested the A380's handling using both direct and

normal flight control laws with the landing gear up and down, and with all flaps' and slats' settings during the part of the flight at cruise altitude. They made an initial evaluation of the comfort levels in both the main and upper decks, confirming that the cabin was very quiet and the ride smooth.

This maiden voyage, during which all primary flight test objectives were met, marks the beginning of a rigorous test flight campaign involving five A380s, including one for the certification of the Engine Alliance GP7200 engine on the A380, and some 2,500 flight hours. **It will culminate in the aircraft's certification followed by its entry into airline service in the second half of 2006 with first operator Singapore Airlines.** The scope and rigour of the A380 ground and flight test programme should also prepare for a smooth entry into service.

During the entire development phase, a lot of work was done to ensure that this all-new large double-decker will be able to operate on existing runways capable of accepting the 747, with no requirement for any significant infrastructure adaptation. Some 60 airports will be ready to welcome A380 operations by 2010, and more will join as the number of operators continues to increase in the coming years.

\* \* \*

The strong order book for the A380 already stands at 154 aircraft, demonstrating that the aircraft will be the driver of growth of Airbus and EADS for many years to come. The test flight programme and certification process is expected to continue over the next months prior to the first commercial deliveries and flights in 2006. [Emphasis added.]

28. On May 9, 2005, the Company issued a press release announcing its financial results for the first quarter of 2005. With regard to the Airbus A380, the press release stated, in pertinent part, as follows:

The EADS CEOs Philippe Camus and Rainer Hertrich commented: "The first quarter results confirm our 2005 targets for EBIT \* and revenue growth with a solid cash position. Airbus has maintained its leadership in deliveries and orders and has realized a steady improvement in its profits. The successful A380 first flight demonstrates the potential for further strong revenues and EBIT \* growth at Airbus in the years to come. Our defence businesses are also set for strong revenues and improved EBIT \* performance this year. In addition, progress at EADS Space has been strong indicating that the space business will contribute positively to the portfolio."

\* \* \*

Strong Airbus performance in 2005:

The successful first flight of the A380, the flagship of the Airbus fleet, on 27 April marked a take-off into a new era of commercial aviation. In total, Airbus received 154 firm orders and commitments from 15 customers for the A380 until the end of April 2005.

The A380 freighter became reality as the first metal cut of the aircraft's centre wing box took place in April.

AirAsia, the leading low fare, no frills airline in Southeast Asia, has signed a contract for 60 A320s plus a further 40 options. In making this order and option commitment for the A320, AirAsia has become the single largest customer for the aircraft in the Asia-Pacific region.

Three Chinese airlines have signed contracts for the purchase of 30 Airbus aircraft, among them five A380. These orders underline Airbus's strong footprint in the Chinese market.

29. On June 25, 2005, the Company issued a press release announcing that defendants Enders and Forgeard were elected as Chief Executive Officers of EADS. With regard to the appointment of defendants Enders and Forgeard, the press release stated, in pertinent part, as follows:

EADS Chairmen Manfred Bischoff and Arnaud Lagardère said: "We are pleased that following intense discussions we can now present an excellent team and new structure for the future management of EADS. The appointments reflect the unique position of EADS as a multinational company as well as EADS' strong position in the world market. Our key priority for the second term of EADS is to ensure the company builds on its strong profit performance, particularly through a renewed focus on enhancing the value of its core businesses. The new CEOs and Executive Committee have a mandate to vigorously pursue this strategy."

EADS CEOs Enders and Forgeard commented: "We are proud to lead one of the world's most successful aerospace and defence enterprises. EADS has already become the leader of the European aerospace and defence industry. Together, we share an absolute determination to take EADS forward to the next successful stage in its history. Our focus will be to continue the company's strong growth trajectory and commitment to innovation, and to reinforce our focus on business performance."

30. On July 27, 2005, the Company issued a press release announcing its financial results for the first half of 2005. For the first half of 2005, the Company reported EBIT of €1.54

billion, revenues of €16 billion, and net income of €816 million. Defendants Enders and Forgeard, commenting on the Company's financial performance, stated, in pertinent part, as follows:

Following excellent results in the first half of 2005, EADS is set to deliver strong group-wide performance for the full year. Our business development will be guided by financial prudence and a focus on long-term value enhancement as well as absolute attention to profitability and cash.

With regard to its Airbus division, the press release stated, in pertinent part, as follows:

The Airbus Division half-year EBIT\* surged to € 1,444 million (H1 2004: € 980 million) mainly driven by higher aircraft deliveries (189 versus 161), benefits from the Route06 cost savings programme and a lower R&D charge. Hedge rates were close to those of a year earlier.

The EBIT\* margin improved from 9.8 percent to 12.8 percent, and the EBIT\* margin pre-R&D increased slightly from 19.1 percent to 19.8 percent. Revenues grew by 12 percent to € 11,262 million (H1 2004: € 10,024 million).

The commercial aircraft market continues to improve. In Europe the trend is good, and it is excellent in the Middle East. It is even better in Asia-Pacific with its huge long-term traffic growth potential. Airlines from China and India strongly supported Airbus' 276 gross orders in the first six months 2005 (H1 2004: 104). Following this market improvement and order inflow, Airbus is increasing the monthly single-aisle production rate from currently 26 to 30 in 2006 and is considering a further increase to 32 aircraft in 2007.

The Airbus order book amounted to € 152 billion at the end of June 2005, representing a total of 1,579 commercial aircraft. The encouraging customer response to the A350 is demonstrated by 125 commitments from 7 customers by 30 June 2005. This strong market support for the all new A350 is not yet included in the order book as Airbus only counts firm orders. A350 orders can only be booked after the industrial launch of the programme. The EADS Board has confirmed its willingness to proceed towards the full industrial launch of the programme in autumn 2005.

**Up to date, Airbus has received 159 firm orders and commitments from 16 customers for the A380. The aircraft has entered its test flight phase and is yielding good results.**

\* \* \*

Strong Airbus performance:

**The successful first flight of the A380, the flagship of the Airbus fleet, on 27 April marked a take-off into a new era of commercial aviation. In total, Airbus received 159 firm orders and commitments from 16 customers for the A380 up to date. With UPS, China Southern Airlines and Kingfisher Airlines, the A380 attracted three new customers in 2005.**

At the international air show in Le Bourget near Paris in June, Airbus received orders and commitments for 280 aircraft. IndiGo, an Indian low-cost carrier, signed a letter of intent on the purchase of 100 aircraft of the A320 Family.

Also at Le Bourget, Qatar Airlines committed to buy 60 aircraft of the A350 type. To the end of June, Airbus had received commitments for a total of 125 A350 aircraft. [Emphasis added.]

With regard to the Company's outlook, the press release stated, in pertinent part, as follows:

For the full year 2005, EADS confirms its confidence in 2005 EBIT\* to exceed € 2.6 billion. EADS raises its earnings per share (EPS) and cash flow targets.

EADS foresees an increase in divisional performance across the Group, partly offset by less favourable hedges compared to 2004.

EADS expects its 2005 revenues to grow to around € 33 billion, impacted partly by a weaker dollar assumption (€ 1 = US\$ 1.30). EADS' group-wide defence revenues should increase by 10 percent during the course of the year to € 8.5 billion.

EADS expects Airbus to deliver more than 360 aircraft in 2005. Airbus revenues are expected to increase in line with higher deliveries of single-aisle aircraft. The 2005 aircraft mix will be less favourable than in 2004.

After the strong cash flow generation in 2004, Free Cash Flow before Customer Financing is expected to be strong again in 2005.

2005 EPS are expected to increase by at least 18 percent to € 1.50, based on an expected average of 800 million shares. This updated EPS guidance reflects better than expected financial result due to higher cash levels but remains dependent on the year-end US Dollar exchange rate.

31. On October 18, 2005, the Company issued a press release announcing that the “second A380 (MSN004) has successfully taken to the air today at 10.49 a.m., joining the first A380 (MSN001) in the flight test campaign which started on 27th April. Since its first flight, MSN001 has successfully completed more than 100 flights and over 350 flight hours.” The press release continued, in pertinent part, as follows:

Charles Champion, Chief Operating Officer and Head of the A380 Programme, says: “The tests are going better than we expected and we can already say with certitude that we will deliver a great aircraft, which will live up to the expectations of the airlines and bring a step change to air transport. I am certain that the second test aircraft will continue to show that the A380 combines technological innovation with extraordinary quality and reliability.”

With 105 flights and 366 flight hours, the first A380 (MSN001) is yielding very good results, and is in fact ahead of the test programme schedule. Already accomplished tests, including aerodynamics, low speed and flight vibration tests, show very good conformity with the data collected on flight simulators in preparation of the test flights. Thanks to the precision of test results, early autoland tests could start on the 17th flight, only one month after first flight.

A380 number one is now scheduled to visit Frankfurt for a first airport compatibility test at the end of this month.

In total five A380 aircraft will be involved in the flight test programme. MSN001 is mainly used for loads identification and development of flight control. MSN004 will be flying performance tests. Two additional aircraft will be equipped with full cabin installations and will undergo cabin and noise tests, as well as performing the Early Long Flights and later the Route Proving, together with further airport compatibility checks. A fifth aircraft will be used for the trials linked to the Engine Alliance GP7200 engine. The full A380 test programme represents more than 2500 flight hours.

Upon completion of the certification process the world’s largest commercial airliner will be delivered to the first operator Singapore Airlines in late 2006. The A380 is already a proven success story, with 159 orders from 16 customers.

32. On November 4, 2005, the Company issued a press release announcing that “Airbus’ third A380, MSN 2, performed a successful first flight.” The press release continued, in pertinent part, as follows:

Test flights are progressing well towards type certification in the last quarter of 2006, in time for first delivery to initial operator Singapore Airlines. So far, Airbus has received 159 firm orders and commitments from 16 customers, reflecting the success of the all-new double-decker on the market.

33. On November 9, 2005, the Company issued a press release announcing its financial results for the first nine months of 2005. For the first nine months, the Company reported EBIT of €2.1 billion, revenues of €23.4 billion, and net income of €1.0 billion.

Moreover, the Company raised its earnings guidance for 2005. With regard to the Company's financial performance, Defendants Enders and Forgeard stated, in pertinent part, as follows:

Order intake momentum was extremely robust for Airbus and defence businesses confirming EADS' strong potential to continue growth and expansion. The excellent results achieved in the first nine months of 2005 have allowed us to raise further our earnings targets for the full year. We expect Airbus to be again Number 1 in aircraft deliveries and Eurocopter to reinforce its global leadership in helicopters. We are thus set to deliver a strong 2005 performance."

In the third quarter 2005, EADS has examined its global engineering and manufacturing across the Group to enhance the flexibility of its industrial resources and to mobilize further synergies between EADS business units and external resources. Airbus is currently hiring 100-120 engineers per month. "We are giving customer satisfaction and delivery on our promises the first priority and have instructed the management not to compromise in this respect.

With regard to the Company's Airbus division, the press release stated, in pertinent part, as follows:

The Airbus Division 9-month EBIT\* surged 34 percent to € 1,854 million (9/2004: € 1,379 million) despite a less favourable US dollar impact. The result is mainly driven by higher aircraft deliveries (271 versus 224), and benefits from the Route06 cost savings programme and a lower R&D charge. Revenues grew by eleven percent to € 16,033 million (9/2004: € 14,415 million).

The EBIT\* margin improved from 9.6 percent to 11.6 percent, and the EBIT\* margin pre-R&D amounted to 18.9 percent (same as in 9/2004).

Airbus booked 417 gross orders in the first nine months 2005, more than double compared to the same period of the previous year (9/2004: 189). This strong order intake indicates the ongoing market upturn in commercial aviation. While receiving major orders from existing and new European and Asian customers, Airbus is further strengthening its customer base.

43 percent of Airbus' 9-month order intake was received from Asia-Pacific.

The Airbus order book amounted to € 158.5 billion at the end of September 2005, representing a total of 1,636 commercial aircraft.

The encouraging customer response to the all-new A350, industrially launched on 6th October, is impressively demonstrated by 143 commitments from ten customers to date. This strong market support for the A350 is not yet included in the order book. Airbus only counts firm orders and expects to receive 200 commitments for the A350 by the end of 2005.



**For the A380, Airbus has received 159 firm orders and commitments from 16 customers to date. In 2005, three new customers have so far committed to the A380 and Airbus has already successfully completed more than 120 test flights with its three flying A380s. The world's largest passenger aircraft recently successfully demonstrated its airport readiness at Frankfurt airport and will shortly undertake similar exercises at different Asia-Pacific hubs.**

\* \* \*

A350 industrial launch tops strong Airbus performance:

On 6th October, the EADS Board of Directors gave the go ahead for Airbus to launch the industrial programme for a new A350 airliner family. The A350 is a key part of EADS' internationalization strategy. Airbus has 143 firm commitments from ten Airbus customers to date.

Also in October, LAN Airlines ordered up to 40 A320 family aircraft. The Chilean airline has signed a contract with Airbus for the acquisition of 25 A320 family aircraft plus 15 options.

In August, CIT ordered five A350s and added a repeat order for 24 A320 aircraft. In September, Wizz Air became a new Airbus customer by placing an order for 12 aircraft of the A320 Family. China Southern Airlines jointly ordered with CASGC ten additional A330s.

**With its three already flying A380s, Airbus has successfully completed more than 120 test flights, adding up to 450 flight hours. The test phase began with the A380 first flight in April. The second A380 joined the flight test campaign in October, the third one in November. [Emphasis added.]**

With regard to the Company's outlook, the press release stated, in pertinent part, as follows:

For the full year 2005, EADS raises its EBIT\* target to € 2.75 billion, from a previous target of "more than € 2.6 billion".

The change in EBIT\* outlook reflects Airbus delivery increase to 370 aircraft in 2005, most of the growth occurring in the single-aisle category. It also incorporates higher than expected losses at EADS Sogerma Services and additional charges in the Defence & Security Systems Division related to two Unmanned Aerial Vehicle (UAV) programmes in the last quarter of 2005.

EADS expects its 2005 revenues to grow to more than € 33 billion. In 2004, EADS achieved revenues of € 31.8 billion. EADS' group-wide defence revenues should increase by 10 percent during the course of the year to € 8.5 billion.

Continuing the strong cash flow generation in 2004, Free Cash Flow before Customer Financing is expected to remain robust in 2005.



2005 EPS are expected to grow to around € 1.65, based on an expected average of around 800 million shares. This EPS target is partly dependent on the 2005 US dollar closing rate. The previous EPS target was “more than € 1.50” for the full year 2005. The updated EPS guidance reflects mostly the higher EBIT\* target.

34. On January 17, 2006, the Company issued a press release highlighting Airbus’ results for 2005 and issuing a positive outlook on Airbus’ future. The press release continued, in pertinent part, as follows:

2005 was a record year for Airbus in all terms, be it for deliveries, order intake and profitability. In terms of orders Airbus continued to outsell its competitor for the fifth consecutive year, while continuing to lead in terms of deliveries for the third year in a row. Airbus also achieved a profitability margin above its target of 10 per cent.

In 2005, Airbus delivered 378 airliners, bringing the Airbus turnover to approx. € 22.3 billion. With this, Airbus total deliveries now stand at 4,130. The 2005 deliveries comprise 289 Single Aisle Family aircraft and 89 wide-body long range airliners (essentially A330s and A340s). This reflects the steady increase in production rates to cope with the increasing demand, up from 305 in 2003 and well above the former record of 325 in 2001.

With 1,111 new gross orders, valued at USD 95.9 billion, and 1,055 net orders, Airbus maintained its lead for the fifth year in a row. These orders, which make up for 52 per cent of the market, comprise 918 Single Aisles, 166 A330s, A340s and A350s, and 20 A380s, as well as seven A300 Freighters. 2005 was therefore even stronger than 1998, Airbus’ previous record year in which it booked 556 new orders. Also, the order intake for both the Single Aisle Family and the A330/A340/A350 were the highest ever for those product series.

At the end of 2005, Airbus had a backlog of 2,177 aircraft valued at USD 220.3 billion. It is also the highest ever in its entire history and in the history of aviation. Moreover, this is higher than that of the competition for the sixth year in a row, and comprises the highest ever backlog for both the A330/A340/A350 (346 aircraft) and the A320 Family (1,652 aircraft).

“2005 was a record year for the whole industry and for Airbus in particular”, said Airbus President and CEO, Gustav Humbert, when announcing the results. “Airlines have never ever placed so many orders, a sign that they are very optimistic about the future of air transportation, with also a lot of new carriers emerging and bringing cheap air travel to an increasing number of consumers. But it also reflects the need for more modern equipment to face the rising fuel prices. We are pleased to have maintained our lead in terms of market share. **But, more importantly, we continue to increase our production output, based on a backlog never seen in history, which secures work for the next four to**

**five years at very high production rates.** On behalf of all the Airbus employees, I wish to thank our customers for their confidence, and want to assure them that their “satisfaction” is our key driver. This is where we really want to become the best and be fully recognised as “the leader”.

2005 was also a landmark year in terms of programmes, with the industrial launch of the new 250 – 300 seat long range A350 on 7th October, and the first flight of the A380 on 27th April. Flight test of the all new double-decker continues to progress well, with the three aircraft now flying having achieved 800 flight hours and 220 flights. Certification is planned in time for the delivery to the first operator, Singapore Airlines, which is planned for the end of this year. [Emphasis added.]

35. On February 14, 2006, the Company issued a press release announcing that the Airbus A380 successfully completed its cold weather tests and was on its way to certification.

The press release continued, in pertinent part, as follows:

Airbus’ A380 MSN004 has returned from Iqaluit, Canada, where it successfully completed the cold weather test campaign, and is now preparing to head for Asian Aerospace ‘06 in Singapore. The aircraft will perform daily flying displays during the show which is due to begin on 21st February.

\* \* \*

The three Rolls-Royce-powered A380s that have taken to the air have accumulated over 250 flights and close to 900 flight hours, yielding good results. The Engine Alliance GP7200-powered A380 MSN009 will join the flight test programme as part of the certification campaign by mid-2006.

The full A380 test programme represents more than 2,500 flight hours. **Upon completion of the certification process, the world’s largest commercial airliner will be delivered to the first operator Singapore Airlines in late 2006. The A380 is already a proven success story, with 159 orders from 16 customers.** [Emphasis added.]

36. On March 8, 2006, the Company issued a press release announcing its financial results for the fourth quarter and year end of 2005. For the year, the Company reported EBIT of €2.85 billion, revenues of €34.2 billion and net income of €1.7 billion. For 2006, the Company expected revenues to exceed €37 billion and earnings per share (“EPS”) to increase to between

€2.35 and €2.55 per share. Defendants Enders and Forgeard, commenting on the results, stated, in pertinent part, as follows:

EADS achieved its best results ever and will push for further growth as a global leader in the industry. Looking forward, we intend to further strengthen EADS' profitability and expand in tomorrow's growth markets.

The cyclical upturn is lifting our earnings, and we believe the record order book and vibrant customer demand point to sustained high deliveries at Airbus. Profitability at Eurocopter, and at our combined defence and space businesses is also on a clear upward trend. We must, however, remain mindful of the challenges ahead: the weak dollar, the revived competition in the commercial aircraft arena, the ramp-up of new programmes, and stretched resources. Hence we will keep a strong focus on operations to ensure that our businesses deliver the ambitious results shareholders and markets expect.

With regard to the Company's Airbus division, the press release stated, in pertinent part, as follows:

Airbus continued to lead the commercial aircraft market in 2005, delivering its best year ever in terms of deliveries, order intake and profitability. The EBIT\* surged to € 2,307 million (2004: € 1,919 million). The increase was mainly driven by higher aircraft deliveries (378 versus 320 in 2004) and benefited from the Route06 cost savings programme mitigating the less favourable US Dollar. Revenues increased by ten percent to € 22,179 million (FY 2004: € 20,224 million). Airbus' EBIT\* margin improved from 9.5 percent to 10.4 percent.

With 1,111 gross orders in 2005, Airbus achieved an all-time record order intake in the commercial aviation industry and as a result outsold its competitor for the fifth year in a row. New aircraft orders were in large part motivated by the rapid growth of commercial aviation in Asia which represents 47 percent of Airbus' order intake. Underlining the strong demand from low cost carriers Airbus sold more than one out of three aircraft in this segment (36 percent) in 2005. The order intake for both the Single Aisle Family (918 units) and the long range aircraft A330/A340/A350 (166 units) were the highest ever for each of those segments. Orders for 20 A380s and seven A300 freighters completed Airbus' order intake. At the end of 2005, the Airbus order book amounted to € 202.0 billion based on list prices. This is an increase of 48 percent over year-end 2004. The order book represents a total of 2,177 commercial aircraft (2004: 1,500).

**The A380 is on track for certification, with the first delivery scheduled for the end of 2006. Airbus has already successfully completed close to 1.000 hours of flight testing with its four flying A380s and has received 159 firm orders from 16 customers to date, including three new customers in 2005.**

**Launched in October, the A350 has received 172 firm orders and commitments from 13 customers by the end of 2005.**

\* \* \*

Record Airbus sales and progress across commercial aircraft activities:

**The A380 first flight on 27 April launched a new era in commercial aviation. To date, Airbus has received 159 firm orders from 16 customers for the A380. The A380 attracted three new customers in 2005: UPS, China Southern Airlines and Kingfisher Airlines. [Emphasis added.]**

With regard to the Company's outlook, the press release stated, in pertinent part, as follows:

#### Outlook 2006

EADS expects its 2006 revenues to grow to more than € 37 billion (FY 2005: € 34.2 billion), powered by the progression of Airbus deliveries and higher volume from its combined defence businesses. Airbus deliveries are expected to grow by at least ten percent in 2006. EADS uses a planning rate of € 1 = US\$ 1.30.

EBIT\* is expected to grow to between € 3.2 billion and € 3.4 billion (FY 2005: € 2.85 billion), mainly under the influence of the higher Airbus volume, but also due to better operational efficiencies across all divisions, despite higher R&D costs and the continuing US Dollar headwind arising from the maturity of less attractive hedges.

Consistent with the strong cash flow generation in 2005, Free Cash Flow before Customer Financing is expected to remain robust in 2006, despite the build up of inventories related to the delivery ramp-up, particularly for the A380.

2006 EPS are expected to grow to between € 2.35 and € 2.55 (FY 2005: € 2.11), based on an expected average of around 795 million shares and on a US Dollar year-end closing rate similar to 2005.

37. On March 8, 2006, in an article entitled *Airbus insists its super-jumbo will not face further delay*, *The Times (London)* reported that Airbus would meet its end-of-year delivery deadline for the first Airbus A380 super-jumbos, despite technical problems. The article stated, in pertinent part, as follows:

AIRBUS insisted last night that it would meet an end-of-year delivery deadline for the first Airbus A380 super-jumbos, despite technical problems.

The first delivery to Singapore Airlines has already been delayed by about eight months to the end of 2006, for which Airbus faces financial penalties estimated at Euro 100 million (£ 68 million).

Fresh speculation that Airbus may not be able to meet the December deadline surfaced in France yesterday, after deliveries of parts to the assembly plant in Toulouse appeared to slow down.

According to the French newspaper Sud Ouest, many of the parts manufactured in Airbus factories elsewhere needed modification. "Perhaps we underestimated the means required for the conception of the plane, notably in the electrical domain," Thierry Wuillequiez, of the white collar union, the French Managers Confederation, said.

A spokeswoman for Airbus said that it still intended to make the deliveries to Singapore Airlines by the end of the year. Other airlines would receive their A380s about six months late.

The success of the world's biggest civil airliner, which completed 1,000 test flights this week, is critical to the health of Airbus and to its parent company, EADS -which is expected to announce a sharp increase in operating profit when it reports its annual results today.

38. On March 10, 2006, the Company issued a press release announcing that the A380 reached a milestone of 1000 flight hours. The press release continued, in pertinent part, as follows:

The Airbus A380 programme has reached the milestone of 1000 flight hours during the flight test programme for the aircraft type since the first flight of MSN1 on 27th April 2005. The 1000th flight hour was achieved after MSN1 took off from the manufacturer's home base in Toulouse, France, at 09.40 h local time for a flight over Southern France, including the testing of the flight control system in specific weather conditions with strong winds.

\* \* \*

Upon completion of the certification process, the world's largest commercial airliner is scheduled to be delivered to the first operator Singapore Airlines in late 2006. The A380 is already a proven success story, with 159 orders from 16 customers.

39. On March 26, 2006, the Company issued a press release announcing that the A380 successfully completed its evacuation test. The press release continued, in pertinent part, as follows:

Airbus successfully completed the passenger evacuation trial on development A380 MSN7, paving the way for the Authorities to certify the aircraft in time for delivery by the end of 2006. During the trial, all of the 873 participants were able to leave the aircraft and reach ground within the 90 seconds prescribed, with half of the 16 doors in operations. The trial was performed under the supervision of the European Aviation and Safety Agency EASA and a representation of the American FAA.

\* \* \*

The A380 is designed to carry an average of 555 passengers in three classes over distances up to 8,000 nm/ 15,000 km. To date, 159 A380s have been ordered by 16 customers, with the first due to be delivered to first operator Singapore Airlines before the end of the year.

40. On April 4, 2006, the Company issued a press release announcing that DaimlerChrysler and Lagardère SCA “entered into simultaneous transactions aimed at reducing by 7.5 percent each their respective stakes in EADS.”

41. On May 16, 2006, the Company issued a press release announcing its financial results for the first quarter of 2006. For the quarter, the Company reported EBIT of €780 million, revenues of € 9.1 billion and net income of €516 million. Defendants Enders and Forgeard, commenting on the results, stated, in pertinent part, as follows:

These first quarter earnings highlight once again the powerful momentum of EADS. However, we have plenty of ongoing operational challenges and management is focusing strongly on the ramp-up of key programmes.

With regard to the Company’s outlook, the press release stated, in pertinent part, as follows:

Outlook 2006: Ongoing growth confirmed

EADS confirms the outlook for 2006 that was published on 8 March 2006.

EADS expects its 2006 revenues to grow to more than € 37 billion (FY 2005: € 34.2 billion), powered by the over 10 percent increase of Airbus deliveries and higher volume from its combined defence businesses. EADS uses a planning rate of € 1 = US\$ 1.30.

EBIT\* is expected to grow to between € 3.2 billion and € 3.4 billion (FY 2005: € 2.85 billion) reflecting the higher volume at Airbus, but also due to better operational efficiencies across all divisions (including Route06 cost saving

programme), however partially offset by higher than expected losses at Sogerma and the continuing US Dollar headwind arising from the maturity of less attractive hedges. In light of the above, EADS confirms its 2006 EBIT\* guidance. The EBIT\* guidance, as a range, recognizes the existence of contingencies for risk which can only be adjusted as the year progresses.

Free Cash Flow before Customer Financing is expected to remain robust in 2006, despite the build up of inventories related to the delivery ramp-up, particularly for the A380.

2006 EPS is expected to grow to between € 2.35 and € 2.55 (FY 2005: € 2.11), based on an expected average of around 795 million shares, and taking into account a US Dollar year-end closing rate similar to 2005.

This outlook does not reflect further impact of a potential exercise of BAE Systems' put option regarding its 20 percent stake in Airbus.

With regard to the Company's Airbus division, the press release stated, in pertinent part, as follows:

The Airbus Division grew its revenues by 28 percent to € 6,362 million (Q1 2005: € 4,989 million) as a result of higher aircraft deliveries (101 versus 87). First-quarter EBIT\* increased by eight percent to € 681 million (Q1 2005: € 628 million) mainly due to increased volume. Furthermore the EBIT\* was affected by higher R&D expenses (€ 104 million more than in Q1 2005) and a US dollar impact of € -320 million compared to the first quarter of 2005. The EBIT\* margin reached 10.7 percent. Without the A400M revenue recognition which was initially planned for the fourth quarter of 2005 it would have been 11.1 percent.

Airbus booked 90 gross orders in the first three months of 2006 (Q1 2005: 123). 60 percent of the order intake was achieved in Asia-Pacific demonstrating continued demand in this growth region. At the end of March 2006, the Airbus order book amounted to € 197.0 billion based on list prices, representing a total of 2,146 aircraft (year-end 2005: 2,177 aircraft).

**The A380 certification is on track as the programme reached two major test milestones early May. Airbus successfully completed the first extensive ground cabin tests in a fully equipped A380 and accomplished 10,000 flight cycles in the fatigue tests. Already in the first quarter 2006, the certification authorities approved the crucial A380 evacuation trial and validated the maximum seating capacity of 853 passengers. The first delivery is scheduled for the end of 2006, and the plan for the next year's delivery ramp up is undergoing a review to reflect workload and possible implications from the subsequent phases of the certification process.**



An analysis of the A350 programme is under way, and options taking customer feedback and compatibility with long term Airbus strategic objectives into account are under consideration. The outcome will be decided through Airbus shareholder consultation and communicated in due course. [Emphasis added.]

42. The statements referenced above in ¶¶26-41 were materially false and misleading because they misrepresented and failed to disclose the following adverse facts:

(a) that the Company was experiencing insurmountable delays in the manufacturing of its Airbus A380 commercial jets;

(b) that the Company's existing customers would either expect compensation for the delays or cancel their orders entirely; and

(c) that, as a result of the foregoing, the Company's ability to receive new contract awards from commercial airlines and its ability to reap future revenues would be in serious doubt.

### **The Truth Begins to Emerge**

43. Then, on June 13, 2006, the Company issued a press release announcing that the Company was having production problems with the A380, which would cause a significant delay in delivery to its customers. Moreover, the Company issued a profit warning beyond 2006 due to these delays. The press release revealed, in pertinent part, as follows:

EADS expects that the revised A380 delivery schedule announced by Airbus will not lead to a change in the Group's 2006 EBIT\* guidance due to management actions being taken at Airbus and due to the overall performance of the Group.

Following a detailed review of the A380 production and delivery programme, Airbus revised the A380 delivery schedule for the period 2006 to 2009. **According to this plan one aircraft is to be delivered in 2006. In 2007, A380 deliveries will likely be limited to nine. Compared to the initial delivery target there will be shortfalls of five to nine aircraft deliveries in 2008 and of around five aircraft in 2009.**

**From 2007 to 2010, EADS anticipates annual shortfalls of EBIT\* contribution from the A380 programme of about € 500 million relative to the original baseline plan.** The shortfalls result from the shift of margin to later



years, excess costs tied to the recovery action and the late delivery charges which are to be negotiated with customers. **Possible contract terminations under the new timetable have not been taken into account in this estimate.**

EADS expects free cash flow shortfalls, relative to the original baseline plan, of less than € 300 million in 2006, increasing to more than € 1 billion in 2008, and decreasing sharply thereafter. To date 15 A380 have been assembled, while production of sections for aircraft serial number 36 has already started.

The financial impacts will need to be validated and updated as certain milestones are passed, such as the outcome of discussions with customers, feedback from the ongoing testing programme of the integrated cabin, and the progress of the recovery action set up by Airbus. [Emphasis added.]

44. Upon this announcement, shares of EADS fell €6.69 per share, or 26%, to close at €18.73 per share, on unusually heavy trading volume.

#### **Post Class Period Revelations**

45. On June 16, 2006, in an article entitled *Airbus Executive Defends Recent Stock Sale Ahead of News Concerning Delays for A380 Superjumbo*, the *Associated Press* reported, in pertinent part, that:

*Workers on the A380 said they suspected production delays already in March, a union representative said. "Employees have known it for three months. We were not surprised by the delay," said Xavier Petrachi, CGT union representative for Airbus workers at the manufacturer's headquarters in Toulouse.*

46. On July 2, 2006, the Company issued a press release stating that it accepted the resignation of Noël Forgeard as EADS Chief Executive Officer, as a member of the EADS Board, and as Chairman of the Airbus Shareholder Committee as well as the resignation of Gustav Humbert as Airbus Chief Executive Officer and member of the EADS Executive Committee.

47. On October 3, 2006, the Company issued a press release announcing that "Airbus has informed its A380 customers about a further delay in the delivery schedule of the A380." In that regard, the press release continued, in pertinent part, as follows:

According to this revised plan, the first A380 will be delivered in October 2007. Thirteen more will be delivered in 2008 and 25 in 2009. The industrial ramp-up will be completed in 2010, when 45 A380s are going to be delivered.

With regard to the impact on the Company's outlook as a result of the delay, the press release stated, in pertinent part, as follows:

From an Income Statement perspective, the management estimates that the A380 series production will generate a cumulative programme EBIT\* loss of around € 2.8 billion for the years 2006 to 2010, of which approximately € 1.1 billion is anticipated in 2006 and approximately € 0.7 billion in 2007. The A380 programme shall deliver a first positive EBIT\* contribution in 2010. The management estimates that the A380 programme contributions will be substantial beyond 2010.

The above 2006 programme EBIT\* loss reflects an estimated € 0.6 billion of provisions for A380 loss making contracts. The A380 charges, and charges potentially arising from the outstanding decision on the A350 programme, as well as the amount and phasing of non recurring charges of the "Power8" programme, invalidate the previously provided 2006 EBIT\* guidance. Until further notice, EADS will not issue an updated 2006 outlook. Possible contract terminations under the new A380 timetable have not been taken into account in the financial estimates.

48. On May 31, 2008, in an article entitled *Former EADS Chief Faces Insider*

*Trading Charges*, *The New York Times* reported, in pertinent part, as follows:

French judges have filed preliminary charges of insider trading against Noel Forgeard, a former chief executive of EADS, as they investigate stock sales executed ahead of the announcement of major delays in building the Airbus A380 superjumbo.

Mr. Forgeard, 61, continued to maintain his innocence during two days of questioning by the examining judge, Xaviere Simeoni, Mr. Forgeard's lawyer, Jean-Alain Michel, said Friday.

The executive was forced out of European Aeronautic Defense and Space, the parent of Airbus, in July 2006, in the fallout over delays with the A380. The French financial markets regulator, the Autorite des Marches Financiers, is investigating whether Mr. Forgeard, along with 16 other executives, traded on insider knowledge of those delays and others involving the smaller A350 jetliner.

Mr. Forgeard was released on bail of an unspecified amount and did not have to surrender his passport, according to two people with knowledge of the case.

Other individuals are also likely to be interviewed, possibly before a summer break, according to the people with knowledge of the case.

Instead of sleeping in a police cell, Mr. Forgeard spent Wednesday night in hospital in what his lawyer said was a “precautionary measure in case of a medical problem,” after a doctor’s visit. Mr. Forgeard was returned to a spartan room at the headquarters of the French financial police early on Thursday.

In talking with the judge just before his release, Mr. Forgeard denied that he or any of his colleagues had engaged in insider trading.

“He continued to maintain forcefully that no insider trading was conducted -- neither he nor anyone of authority within Airbus or EADS, nor its managers or executives or its shareholders committed any insider trading crime,” Mr. Michel said in an interview.

Mr. Michel said that Mr. Forgeard was “very despondent” after his 36-hour ordeal and was eager for an opportunity to clear his name.

“He wanted to convince the judge of his good faith,” he said.

“He is seeking a hearing to clarify his position in what is an extremely technical case,” he added. The filing of preliminary charges means the judge believes there is enough reason to continue investigating. It does not imply guilt or innocence. Another judge will later determine whether there is enough evidence to bring formal charges and order a trial.

Mr. Forgeard, who said in an interview with Le Figaro last October that he was being used as “a convenient scapegoat,” will be interviewed again by one or both of the judges ordering the investigation, Mr. Simeoni and Cecile Pendaries.

According to one EADS executive, the trading at the heart of the investigation occurred at the first opportunity to exchange the shares after they had vested.

49. The markets for EADS’s stock were open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, EADS’s stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired EADS’s stock relying upon the integrity of the market price of EADS’s stock and market information relating to EADS, and have been damaged thereby.

50. During the Class Period, defendants materially misled the investing public, thereby inflating the price of EADS's stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

51. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about EADS's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of EADS and its business, prospects and operations, thus causing the Company's stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's stock at artificially inflated prices, thus causing the damages complained of herein.

#### **Additional Scienter Allegations**

52. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal stock laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt

of information reflecting the true facts regarding EADS, their control over, and/or receipt and/or modification of EADS's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning EADS, participated in the fraudulent scheme alleged herein.

53. Defendants were further motivated to engage in this course of conduct in order to allow the Individual Defendants and other Company insiders to sell their personally-held EADS stock. Specifically, 21 top managers, including defendants Forgeard (and his family members) and Enders, exercised stock options from November 2005 to March 2006 with knowledge that there were significant problems with the production of the Airbus A380.

#### **LOSS CAUSATION/ECONOMIC LOSS**

54. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of EADS's stock and operated as a fraud or deceit on Class Period purchasers of EADS's stock by failing to disclose delays in the manufacturing of its Airbus airplanes. When defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of EADS's stock fell precipitously as the prior artificial inflation came out. As a result of their purchases of EADS's stock during the Class Period, plaintiff and the other Class members suffered economic loss, *i.e.*, damages under the federal stock laws.

55. By failing to disclose delays in the manufacturing of its Airbus airplanes, defendants presented a misleading picture of EADS's business and prospects. Thus, instead of truthfully disclosing during the Class Period the true risks that EADS was exposed to, defendants caused EADS to conceal the truth.

56. Defendants' false and misleading statements had the intended effect and caused EADS's stock to trade at artificially inflated levels throughout the Class Period, reaching as high as €35.13 per share on March 24, 2006.

57. As a direct result of defendants' disclosures on June 13, 2006, EADS's stock price fell precipitously. This drop removed the inflation from the price of EADS's stock, causing real economic loss to investors who had purchased the Company's stock during the Class Period.

58. The more than 26% decline in the price of EADS's stock after these disclosures came to light was a direct result of the nature and extent of defendants' fraud finally being revealed to investors and the market. The timing and magnitude of EADS's stock price declines negate any inference that the loss suffered by plaintiff and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by plaintiff and the other Class members was a direct result of defendants' fraudulent scheme to artificially inflate the prices of EADS's stock and the subsequent significant decline in the value of EADS's stock when defendants' prior misrepresentations and other fraudulent conduct were revealed.

**Applicability of Presumption of Reliance:  
Fraud on the Market Doctrine**

59. At all relevant times, the market for EADS's stock was an efficient market for the following reasons, among others:

(a) EADS's stock met the requirements for listing, and was listed and actively traded on the Frankfurt, Madrid and Paris Stock Exchanges, highly efficient and automated markets;

(b) EADS regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(c) EADS was followed by several stock analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

60. As a result of the foregoing, the markets for EADS's stock promptly digested current information regarding EADS from all publicly available sources and reflected such information in the prices of the stock. Under these circumstances, all purchasers of EADS's stock during the Class Period suffered similar injury through their purchase of EADS's stock at artificially inflated prices and a presumption of reliance applies.

#### **NO SAFE HARBOR**

61. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular

forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of EADS who knew that those statements were false when made.

## **COUNT I**

### **Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants**

62. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

63. During the Class Period, Defendants disseminated or approved the materially false and misleading statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

64. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's stock during the Class Period.

65. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for EADS stock. Plaintiff and the Class would not have purchased EADS stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.



66. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of EADS stock during the Class Period.

## **COUNT II**

### **Violation of Section 20(a) of the Exchange Act Against the Individual Defendants**

67. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

68. The Individual Defendants acted as controlling persons of EADS within the meaning of Section 20(a) of the Exchange Act as alleged herein. By reason of their positions as officers and/or directors of EADS, and their ownership of EADS stock, the Individual Defendants had the power and authority to cause EADS to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

**WHEREFORE**, plaintiff prays for relief and judgment, as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

B. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

DATED: June 12, 2008

LABATON SUCHAROW LLP  
CHRISTOPHER J. KELLER  
ANDREI V. RADO  
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